



**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

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August 4, 2008

TO: Supervisor Yvonne B. Burke, Chair
Supervisor Gloria Molina
Supervisor Zev Yaroslavsky
Supervisor Don Knabe
Supervisor Michael D. Antonovich

FROM: Wendy L. Watanabe *Wendy L. Watanabe*
Acting Auditor-Controller

SUBJECT: **STREETLIGHTS CONTRACT REVIEW – A COMMUNITY AND SENIOR
SERVICES WORKFORCE INVESTMENT ACT PROGRAM PROVIDER**

We completed a program, fiscal and administrative contract review of Streetlights (Agency), a Community and Senior Services (CSS) Workforce Investment Act (WIA) program provider.

Background

CSS contracts with Streetlights, a private nonprofit organization to provide and operate the WIA Adult Special Needs Program. It is a comprehensive training and employment program that assists criminal offenders and low income adults with substantial language or cultural barriers. The program also helps participants obtain employment, retain their jobs and increase their earnings. The types of services provided by Streetlights include life management skills training, entertainment production training and job placements. Streetlights' office serves participants from the First, Second, Third and Fifth Districts.

Streetlights was compensated on a cost reimbursement basis and had a contract for \$75,043 from July 2006 through September 2007.

Purpose/Methodology

The purpose of the review was to determine whether Streetlights complied with its contract terms and appropriately accounted for and spent WIA funds in providing the services outlined in their County contract. We also evaluated the adequacy of the Agency's accounting records, internal controls and compliance with federal, State and

County guidelines. In addition, we interviewed a number of the Agency's staff and clients.

Results of Review

Streetlights billed CSS \$26,745 in unallowable and unsupported expenditures. For example, Streetlights:

- Billed CSS for 100% of their utilities, general liability insurance and supplies totaling \$8,617 even though other programs used the facilities.
- Did not provide adequate documentation to support the allocation of the facility lease and consultant expenditures totaling \$15,406.
- Assigned two equipment items which were purchased with WIA funds to non-WIA programs, totaling \$2,017.

In addition, one (20%) of the five participants interviewed stated that they were not satisfied with the services provided. Specifically, the participant indicated that the program did not help him obtain self-sufficiency and that the Agency did not follow-up with him after leaving the program. Streetlights also did not always comply with WIA and County contract requirements. For example, Streetlights:

- Did not accurately report the participants' program activities on the Job Training Automation System for six (86%) of the seven participants sampled.
- Did not provide core services (e.g., training, education, etc.) prior to providing intensive services (e.g., career planning, work experience, etc.) for five (71%) of the seven participants sampled.
- Did not follow-up with three (60%) of the five participants that exited the program on a quarterly basis.
- Did not perform a cost analysis prior to contracting for various administrative and programmatic services or perform a fair market analysis for the facility leased in FY 2006-07.

Streetlights also has not repaid CSS \$1,299 for the unallowable and unsupported expenditures from the FY 2005-06 monitoring review or implemented 10 (53%) of the prior 19 recommendations.

During our review, we were notified that Streetlights' contract with CSS was not renewed after it expired on September 30, 2007. CSS will need to ensure that Streetlights implements all the recommendations in the attached report prior to entering into any new contracts.

Details of our review, along with recommendations for corrective action, are attached.

Review of Report

We discussed our report with Streetlights and CSS on April 25, 2008. Streetlights disagreed with many of the findings and recommendations in our report and did not agree to repay CSS for any undocumented or unallowable expenditures. CSS should work with County Counsel to collect \$26,745 from Streetlights for FY 2006-07 and \$1,299 for FY 2005-06. The following are examples of key areas where the Agency disagreed with our findings:

- **Streetlights' response indicates that they did provide adequate documentation to support expenditures.**

We reviewed all the documentation provided during our initial visit in March 2007 and at the exit conference on April 25, 2008. However, the documentation provided did not adequately support the expenditures billed to CSS. Specifically, Streetlights did not provide adequate documentation to support how the shared program expenditures, such as rent, utilities and bookkeeping expenditures were allocated and billed to CSS. Streetlights also indicates in their response that they billed 100% of rent and utilities to CSS some months and 0% in other months. Since the amount Streetlights billed to CSS each month varied and no documentation was provided, we could not determine the amount over or under billed (page 4 of the Agency's response).

In addition, Streetlights' response indicates that they applied their costs the same as in prior years and that this was the first year their allocation method was an issue. However, during our prior years' reviews, Streetlights provided documentation to support their shared costs.

- **Streetlights' response indicates that the audit report contains a "fraudulent" statement about one participant's interview.**

The statement referred to was in our draft report which indicated that two participants told our auditors that they were not satisfied with the services provided. Streetlights management subsequently contacted the two participants and one of the two dissatisfied participants recanted her statement and provided a letter. As such, we adjusted our report to indicate that only one participant interviewed was not

satisfied with the program services provided by Streetlights (page 7 of the Agency's response).

- **Streetlights' response indicates that the food cost billed to CSS was an allowable expenditure under WIA program.**

Streetlights did not maintain any documentation to support which of the WIA program participants, if any, received food as required (page 10 of the Agency's response).

- **Streetlights' response indicates that the auditors did not ask for copies of the contracts with subcontractors.**

Our report noted that four of the five subcontractors' contracts did not fully explain the work to be completed, hours of operations or maximum amount paid to the subcontractors as required by the County contract. Subsequent to our review, Streetlights provided copies of the five subcontractors' contracts that satisfied the County contract requirements (page 12 of the Agency's response). This was added to our report.

- **Streetlights' response indicates that they provided the approved timecards and appropriate payroll documentation as requested by the auditors.**

As indicated in our report, subsequent to our review, Streetlights provided approved timecards and additional payroll documentation (page 15 of the Agency's response).

Please call me if you have any questions, or your staff may contact Don Chadwick at (626) 293-1102.

WLW:MMO:DC

Attachment

c: William T Fujioka, Chief Executive Officer
Cynthia Banks, Director, Department of Community and Senior Services
Raymond G. Fortner, Jr., County Counsel
Dorothy Thompson, Chief Executive Officer, Streetlights
Public Information Office
Audit Committee

**WORKFORCE INVESTMENT ACT PROGRAM
STREETLIGHTS
FISCAL YEAR 2006-07**

ELIGIBILITY

Objective

Determine whether Streetlights (Agency) provided services to individuals that meet the eligibility requirements of the Workforce Investment Act (WIA).

Verification

We reviewed the case files for all seven (100%) program participants that received services between July 2006 and May 2007 for documentation to confirm their eligibility for WIA services.

Results

Streetlights did not maintain appropriate documentation to support the eligibility for three (43%) of the seven participants sampled. Specifically, Streetlights did not obtain adequate documentation to determine whether the participants met the income, barriers to employment, registration for selective services and/or employability requirements as required by WIA guidelines. A similar finding was also noted during the prior year's monitoring review.

Subsequent to our review, Streetlights provided additional documentation to support the three participants' eligibility.

Recommendation

- 1. Streetlights management ensure that staff obtain appropriate documentation from the participants to determine the participants' eligibility for program services prior to enrollment.**

BILLED SERVICES/CLIENT VERIFICATION

Objective

Determine whether Streetlights provided the services in accordance with the County contract and WIA guidelines. In addition, determine whether the program participants received the billed services.

Verification

We reviewed the documentation contained in the case files for all seven (100%) participants that received services from July 2006 through May 2007. We also interviewed five program participants.

Results

One (20%) of the five participants interviewed stated that they were not satisfied with the services provided. Specifically, the participant indicated that the program did not help him obtain self-sufficiency and that the Agency did not follow-up with the him after leaving the program.

In addition, Streetlights did not always comply with WIA guidelines. Specifically, Streetlights:

- Did not accurately report the participants' program activities, such as completion of training and co-enrollments on the Job Training Automation (JTA) system for six (86%) of the seven participants sampled. The JTA system is used by the State of California Employment Development Department and the Department of Labor to track WIA participant activities. This finding was also noted during the prior year's monitoring review.
- Did not provide core services (e.g., training, education, etc.) prior to providing intensive services (e.g., career planning, work experience, etc.) for five (71%) of the seven participants sampled. Federal regulations require core services to be provided as a prerequisite prior to providing intensive services. Subsequent to our review, Streetlights provided additional documentation to support that core services were provided to four of the five participants prior to providing the intensive services.

Recommendations**Streetlights management:**

2. **Ensure staff update the Job Training Automation system to accurately reflect the participants' program activities.**
3. **Ensure core services are provided prior to providing intensive services.**
4. **Ensure staff maintain documentation to support the services provided to the participants in the participants' case files as required.**

CASH/REVENUE**Objective**

Determine whether cash receipts and revenue are properly recorded in the Agency's records and deposited timely in their bank account. In addition, determine whether there are adequate controls over cash, petty cash and other liquid assets.

Verification

We interviewed Agency personnel and reviewed financial records. We also reviewed Streetlights' March 2007 bank reconciliation.

Results

Streetlights properly recorded and deposited cash receipts and revenues in a timely manner.

Recommendation

There are no recommendations for this section.

EXPENDITURES/PROCUREMENT**Objective**

Determine whether the program related expenditures are allowable under the County contract, properly documented and accurately billed.

Verification

We interviewed Agency personnel, reviewed financial records and reviewed documentation to support 27 non-payroll expenditure transactions billed by the Agency for February and March 2007.

Results

Streetlights billed CSS \$20,376 in unsupported and unallowable program expenditures. Specifically, Streetlights:

- Did not provide adequate documentation to support the allocations of the facility lease expenditures. Streetlights billed CSS \$14,339 in facility lease expenditures from July 2006 through April 2007.

- Inappropriately billed CSS for 100% of shared expenditures, such as utilities, general liability insurance and supplies even though the other non-WIA programs benefited from these expenditures. The total billed was \$4,770.
- Did not maintain copies of contracts and timecards to support consultant expenditures as required by the County contract. Subsequent to our review, Streetlights provided copies of contracts and timecards for the consultants. However, similar to the facility lease expenditures, Streetlights did not provide adequate documentation to support the allocations of the consultant expenditures. Unsupported consultant expenditures totaled \$1,067.
- Billed CSS \$95 in non-WIA expenditures.
- Billed CSS \$105 for snacks and food provided to participants. Depending on the circumstances, food is an allowable expenditure under the WIA program such as, a training course specified for the WIA program with supporting documentation indicating what the training was for and who attended the course. However, Streetlights did not provide food during a training course and did not maintain any documentation to support which of the WIA program participants, if any, received food.

Similar findings were noted during prior year's monitoring review.

Recommendations

Streetlights management:

5. **Repay CSS \$20,376.**
6. **Ensure that adequate documentation is maintained to support the program expenditures.**
7. **Bill CSS for WIA related expenditures only and ensure that the program expenditures are allowable under regulatory guidelines.**

ADMINISTRATIVE CONTROLS/CONTRACT COMPLIANCE

Objective

Determine whether the contractor maintained sufficient internal controls over its business operations. In addition, determine whether the Agency is in compliance with other program and administrative requirements.

Verification

We interviewed Agency personnel, reviewed their policies and procedures manuals, conducted an on-site visit and tested transactions in various non-cash areas such as expenditures, payroll and personnel.

Results

Streetlights did not always comply with WIA and County contract requirements. Specifically:

- Streetlights violated the conflict of interest policy by paying a Board member for consultant services.
- Streetlights' agreements with four of the five subcontractors did not fully explain the work to be completed, hours of operations or maximum amount to be paid to the subcontractors as required by the County contract. In addition, Streetlights did not establish an agreement with one of the five subcontractors. Subsequent to our review, Streetlights provided copies of updated agreements with each of the Agency's five subcontractors.
- Streetlights did not perform a cost analysis prior to contracting for various administrative and programmatic services, or perform a fair market analysis for the facility leased in FY 2006-07. Similar findings were also noted during the prior year's monitoring review.
- Streetlights did not obtain a building inspection.
- Streetlights' program procedural manual did not include procedures on how to verify and document individuals' eligibility. As previously indicated, Streetlights did not maintain adequate documentation to support the participants' eligibility to receive program services.

Recommendations**Streetlights management:**

- 8. Ensure the Agency does not violate the conflict of interest policy.**
- 9. Ensure the Agency's agreements with the subcontractors include all applicable provisions and requirements as required by the County Contract.**
- 10. Ensure staff conduct a competitive price analysis for all procurement transactions.**

11. Obtain a building permit.
12. Revise the Agency's program procedural manual to include procedures on how to verify and document individuals' eligibility.

FIXED ASSETS AND EQUIPMENT

Objective

Determine whether Streetlights' fixed assets and equipment purchases made with WIA funds are used for the WIA program and are adequately safeguarded.

Verification

We interviewed Agency personnel and reviewed the Agency's equipment and inventory listing. In addition, we performed an inventory and reviewed the usage of twelve items purchased with WIA funds, totaling \$11,489.

Results

Streetlights needs to improve their controls over fixed assets and equipment. Specifically:

- Streetlights assigned two (17%) of the 12 items sampled to non-WIA employees, totaling \$2,017.
- Streetlights' equipment and inventory listing did not accurately reflect the locations of two (17%) of the 12 items sampled or include all the required information, such as funding source, description, purchase order number and date of disposition, as required by the County contract.

Similar findings were also noted during the prior year's monitoring review. Since, Streetlights' contract with CSS was not renewed, Streetlights needs to repay or return the items to CSS.

Recommendations

Streetlights management:

13. Repay CSS \$2,017 or return the fixed assets and equipment purchased with WIA funds to CSS.
14. Ensure that fixed assets and equipment are used for the WIA program.
15. Ensure that the fixed assets and equipment listing is updated with the required information.

PAYROLL AND PERSONNEL

Objective

Determine whether payroll expenditures are appropriately charged to the WIA program. In addition, determine whether personnel files are maintained as required.

Verification

We traced the payroll expenditures invoiced for two employees totaling \$3,941 for February and March 2007 to the Agency's payroll records and time reports. We also interviewed the two employees and reviewed the personnel files for two staff assigned to the WIA program.

Results

Streetlights did not maintain adequate documentation to support the payroll expenditures for February and March 2007. The employees' timecards sampled were not signed by the employees and/or supervisors and the hours reported on the timecards did not always support the payroll expenditures billed to CSS. Streetlights also billed CSS for one non-WIA employee. Subsequent to our review, Streetlights provided signed timecards and additional documentation to support the payroll expenditures.

In addition, Streetlights did not conduct an annual performance evaluation for one of the two employees sampled. In addition, Streetlights did not maintain proof of automobile insurance in the employees' personnel files for the two employees sampled.

Recommendations

Streetlights management:

Refer to Recommendation 6.

16. Conduct annual performance evaluations of all employees assigned to the WIA program.

17. Maintain required documentation in the employees' personnel files.

COST ALLOCATION PLAN

Objective

Determine whether Streetlights' Cost Allocation Plan was prepared in compliance with the County contract and the Agency used the plan to appropriately allocate shared program expenditures.

Verification

We reviewed Streetlights' Cost Allocation Plan and reviewed a sample of expenditures incurred by the Agency in March, April and May 2006 to ensure that the expenditures were properly allocated to the Agency's programs.

Results

Streetlights' Cost Allocation Plan was prepared in compliance with the County contract. However, Streetlights did not maintain adequate documentation to support the allocation percentage used. As previously indicated, Streetlights inappropriately allocated rent, utilities, general liability insurance and supplies expenditures to the WIA program based on budget not the percent of WIA students to non-WIA students as indicated in the Agency's Cost Allocation Plan.

Recommendation

Refer to Recommendations 6 and 7.

CLOSE-OUT REVIEW**Objective**

Determine whether the Agency's Fiscal Year (FY) 2005-06 final close-out invoice reconciled to the Agency's financial accounting records.

Verification

We traced Streetlights' FY 2005-06 general ledger to the Agency's final close-out invoice for FY 2005-06. We also reviewed a sample of expenditures incurred in May and June 2006.

Results

Streetlights' final close-out invoice reconciled to the Agency's financial records. However, Streetlights billed CSS \$4,352 in unsupported and unallowable program expenditures during FY 2005-06. Specifically, Streetlights:

- Did not maintain adequate documentation to support workers' compensation insurance and phone cards expenditures totaling \$1,940.
- Purchased \$1,812 in supplies in May and June 2006 without prior written approval from CSS. The County contract requires purchases of supplies be completed prior to the last two months of the contract period and exceptions to this restriction require prior written approval from CSS. In addition, Streetlights inappropriately allocated

100% of the purchases to the WIA program instead of allocating the costs among the various programs the Agency operates.

- Billed CSS \$600 in FY 2005-06 for expenditures incurred in the Fiscal Year 2006-07.

Recommendations

Streetlights management:

18. Repay CSS \$4,352.

19. Ensure that expenditures are billed in the correct contract period.

PRIOR YEAR FOLLOW-UP

Objective

Determine the status of the recommendations reported in the prior monitoring review completed by the Auditor-Controller.

Verification

We verified whether the outstanding recommendations from FY 2005-06 monitoring review were implemented. The report was issued on May 23, 2007.

Results

The prior year's monitoring report contained 19 recommendations. At the time of our review, Streetlights implemented nine recommendations. As previously indicated, Recommendations 1, 2, 4, 6, 7, 10, 14 and 15 in this report were also noted during the prior year's monitoring review. The remaining two recommendations required Streetlights to repay CSS a total of \$1,229 for unallowable and unsupported expenditures.

Recommendation

20. Streetlights management repay CSS \$1,229.



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**STREETLIGHTS RESPONSE TO
FINAL DRAFT REPORT
MAY 12, 2008**

**COMMERCIAL DIVERSITY
INITIATIVE MEMBERS**

AT&T

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Hershey Foods

Lexus

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Toyota

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Leo Burnett USA

Saatchi & Saatchi NY

Saatchi & Saatchi LA

May 14, 2008 2E

TO: Supervisor Yvonne B. Burke, Chair

Supervisor Gloria Molina

Supervisor Zev Yaroslavsky

Supervisor Don Knabe

Supervisor Michael D. Antonovich

FROM: Wendy L. Watanabe

Acting Auditor-Controller

**SUBJECT: STREETLIGHTS/RALEIGH STUDIOS CONTRACT – A
COMMUNITY AND SENIOR SERVICES WORKFORCE INVESTMENT ACT
PROGRAM PROVIDER**

We have conducted a program, fiscal and administrative contract review of Streetlights/Raleigh Studios (Streetlights or Agency), a Community and Senior Services (CSS) Workforce Investment Act (WIA) program provider.

Background

CSS contracts with Streetlights, a private non-profit organization, to provide and operate the WIA Adult Special Needs Program. The WIA Adult Special Needs Program is a comprehensive training and employment program that assist low income adults with substantial language or cultural barriers, and offenders. The program also helps participants obtain employment, retain their jobs and increase their earnings. The types of services provided by Streetlights include life management skills training, production assistance training, and job placement services. Streetlights' office serves participants from the First, Second, Third and Fifth Districts.

Streetlights was compensated on a cost reimbursement basis and had a contract for \$75,043 for Fiscal Year (FY) 2006-07.

Board of Supervisors May XX, 2008 Page 2

Purpose/Methodology

The purpose of the review was to determine whether Streetlights complied with its contract terms and appropriately accounted for and spent WIA funds in providing the services outlined in their County contract. We also evaluated the adequacy of the Agency's accounting records, internal controls and compliance with federal, State and County guidelines. In addition, we interviewed a number of the Agency's staff and clients.

Results of Review

Streetlights billed CSS \$26,745 in unallowable and unsupported expenditures. For example, Streetlights:

- Billed CSS for 100% rent, utilities, general liability insurance and supplies even though other programs used the facilities totaling \$8,617.

- Did not provide adequate documentation to support the allocation of the facility lease and consultant expenditures totaling \$15,406. .

- Did not use fixed assets and equipment for the WIA program totaling \$2,017.

In addition, one (20%) of the five participants interviewed stated that they were not satisfied with the services provided. Specifically, the participant indicated that the program did not help the participants obtain self-sufficiency and that the Agency did not follow-up with the participant after leaving the program. Streetlights also did not always comply with WIA and County contract requirements. For example, Streetlights:

- Did not accurately report the participants' program activities on the Job Training Automation system for six (86%) of the seven participants sampled.

- Did not provide core services prior to providing intensive services for five (71%) of the seven participants sampled as required.

- Did not follow-up with three (60%) of the five participants that exited the program on a quarterly basis.

- Did not perform a cost analysis prior to contracting for various administrative and programmatic services, or perform a fair market analysis for the facility leased in FY 2006-07.

At the time of our review, Streetlights also had not repaid CSS \$1,299 for the unallowable and unsupported expenditures from the prior monitoring review or implement ten (53%) of the 19 recommendations. Board of Supervisors May XX, 2008 Page 3
Details of our review along with recommendations for corrective action are attached.

RESPONSE:

GENERAL RESPONSE TO COMPLETE REPORT

Since the very first year the County of Los Angeles began administering the WIA grant (1999?) we have done our Cost Allocation Plan (CAP) and yearly financial reconciliation the same way as we did in the 2006-2007 fiscal year. *Each year it was approved and monitored with no problem.* This is the first year there has been an issue.

Streetlights originally planned to charge 33% of total 2006-2007 costs to the WIA grant. We had originally planned (conservatively) on training 24 students, with 8 being WIA. It turned out that by the end of the year we had been able to find 34 acceptable clients instead of 24, with 5 participants being let go for unacceptable behavior during the year.

At the end of the fiscal year it was determined that, due to private funding exceeding expectations, we had only billed to the grant 13% of costs as opposed to the 27.5% that was the actual percentage ratio of WIA students to non-WIA students.

EVIDENCE:

WE HAVE EVIDENCE TO PROVE THAT AT THE END OF THE CONTACT YEAR ONLY 13% OF OPERATING COSTS WERE CHARGED TO THE WIA CONTRACT THOUGH THE PROPORTION OF WIA STUDENTS TO NON-WIA ONES WAS MUCH GREATER. WE HAVE SHOWN THIS EVIDENCE TO THE COUNTY MONITORS. ALL OF THEIR ALLEGATIONS REFER ONLY TO THE FACT THAT WE DID NOT ADHERE TO THE COST ALLOCATION "PLAN".

OUR AUDITED FINANCIAL STATEMENT IS ON THE WEBSITE "GUIDESTAR" (www.guidestar.org) AND INDICATES OUR OPERATING COSTS WERE \$587,873. OUR WIA GRANT AMOUNT WAS \$77,225.

THE CLASSROOM SIGN-IN/SIGN-OUT SHEETS FOR THESE 29 STUDENTS WHO WERE TRAINED HAS BEEN MAILED TO THE MONITORS AND WILL BE PROVIDED TO CSS IMMEDIATELY UPON REQUEST.

The cost allocation plan was meant to be 33% of the total yearly costs, not necessarily one third of each receipt or invoice.

Since we have 3 classes per year and do not know ahead of time how many WIA participants will be in each class (only the minimum and maximum), it would not be time effective or reasonable to reconcile receipts according to the ratio of WIA students per class. For example: one class had two WIA students, one class had four students (one was let go) and another had five students (let two go). If we didn't do the allocation plan as we did...we would be allocating each receipt for the first class by 2/8, and for the second class 4/9 and for the third by 5/12 as the numbers 8, 9 and 12 represent the non-WIA students in each class.

Though the allocations for the expenses such as rent, utilities, bookkeeper, etc. were 100%--they were only 100% for particular months and 0% for other months. One insurance policy was charged to WIA at 100%, but two policies charged nothing to the WIA contract.

ALSO, the findings by the county monitor are written as "not allowable" and "no supporting documentation", which could lead the public (who will

have access to this report) to believe that we had no "back-up paperwork" for these expenses. The fact is we did have paperwork for every expense. When they talk about this "unsupported" documentation, they are referring only to the fact that the cost allocation plan (WHICH WAS APPROVED BY CSS) was not adhered to properly.

ALSO, OVERALL, WE STRONGLY OBJECT TO THE WAY FINDINGS ARE WRITTEN. MANY TIMES THE LANGUAGE WOULD LEAD THE READER TO BELIEVE THAT WHAT THEY HAVE WRITTEN IS ABSOLUTE "FACT", WHEN THAT IS NOT THE CASE. For example: they reported that time cards were not approved, whereas, in fact, all timecards were approved, but with the word "okay" and my initials and not my full signature as in "Okay-D.T."

Review of Report

We discussed our report with Streetlights and CSS on April 25, 2008. In their attached response, Streetlights

We thank Streetlights for their cooperation and assistance during this review. Please call me if you have any questions, or your staff may contact Don Chadwick at (626) 293-1102.

WLW:MMO:DC

Attachment

c: William T Fujioka, Chief Executive Officer

Cynthia Banks, Director, Department of Community and Senior Services

Dorothy Thompson, Chief Executive Officer, Streetlights

Public Information Office

Audit Committee

AUDITOR-CONTROLLER COUNTY OF LOS ANGELES

WORKFORCE INVESTMENT ACT PROGRAM STREETLIGHTS/RALEIGH STUDIOS FISCAL YEAR 2006-07 ELIGIBILITY

Objective

Determine whether Streetlights/Raleigh Studios (Streetlights or Agency) provided services to individuals that meet the eligibility requirements of the Workforce Investment Act (WIA).

Verification

We reviewed the case files for all seven (100%) program participants that received services between July 2006 and May 2007 for documentation to confirm their eligibility for WIA services.

Results

Streetlights did not maintain appropriate documentation to support the eligibility of three (43%) of the seven participants sampled. Specifically, Streetlights did not obtain adequate documentation to determine whether the participants met the income, barriers to employment, registration for selective services and/or employability requirements as required by WIA guidelines. Streetlights billed CSS \$25,400 in training and support services provided to the three individuals. Streetlights also may have incurred indirect costs associated with providing program services to the ineligible individuals, such as staff time. A similar finding was also noted during the prior year's monitoring review.

Subsequent to our review, Streetlights provided additional documentation to support the eligibility of the three participants.

Recommendation

1. Streetlights management ensures that staff obtains appropriate documentation from the participants to determine the participants' eligibility for program services prior to enrollment.

Response:

Out of the 3 clients they checked, only 2 were missing documentation. We have no idea why they missed the birth certificate in the file for the 2nd participant.

Also, only one piece of paperwork was missing from the 3rd participant file, and that was evidence of income. CSS would not accept the client's tax information because it covered the entire prior year and not just the required 6 months.

BILLED SERVICES/CLIENT VERIFICATION

Objective

Determine whether Streetlights provided the services in accordance with the County contract and WIA guidelines. In addition, determine whether the program participants received the billed services.

Streetlights Page 2 AUDITOR-CONTROLLER COUNTY OF LOS ANGELES

Verification

We reviewed the documentation contained in the case files for all seven (100%) participants that received services from July 2006 through May 2007. We also interviewed five program participants.

Results

One (20%) of the five participants interviewed stated that they were not satisfied with the services provided. Specifically, the participants [The word "participants" indicates there was more than one participant. There was only one participant who complained. The other accusation the County

monitors said they heard turned out to be a fraudulent finding by a member of the monitoring staff] indicated that the program did not help the participants obtain self-sufficiency and that the Agency did not follow-up with the participants after leaving the program.

Response:

As mentioned above, there was only one participant who complained. The monitor originally reported there were 2 out of 5 sampled, but the other participant accusation turned out to be a fraudulent finding by a member of the monitoring staff. We still have consistent contact with this other graduate and have wage statements to support the fact that she greatly surpassed "self-sufficiency" post graduation. She is still employed and wrote a letter (given to the monitor) that she at no point in time said anything negative about Streetlights to the County auditor and is very angry her name is being associated with a legally defamatory statement.

We showed the monitors documentation of wages for the one graduate who did complain for the first 2 months subsequent to his graduation. The participant, who was unemployed when he applied to Streetlights, made \$2,400 the first month and \$3,500 for the second month.

At this point, the graduates' car engine broke down and he expected Streetlights to provide funds to fix it, since we offered "support services" to participants in case of emergencies. He felt that the cost of a new engine was an allowable emergency and we should pay. He was angry that we couldn't. I suspect that is why he is saying we didn't help him.

In addition, Streetlights did not always comply with WIA guidelines. Specifically, Streetlights:

- Did not accurately report the participants' program activities, such as completion of training and co-enrollments, on the Job Training Automation (JTA) system for six (86%) of the seven participants sampled. The JTA system is used by the State of California Employment Development Department and the Department of Labor to track WIA participant activities. This finding was also noted during the prior year's monitoring review.
- Did not provide core services prior to providing intensive services for five (71%) of the seven participants sampled. Federal regulations require core services to be provided as a prerequisite prior to providing intensive services.
- Did not follow-up with three (60%) of the five participants that exited the program on a quarterly basis. WIA guidelines require follow-up contact information for four quarters after a client's exit. This finding was also noted during the prior year's monitoring review.

Subsequent to our review, Streetlights provided additional documentation to support that core services were provided to four of the five participants prior to providing the intensive services. In addition, Streetlights provided additional documentation to support that the Agency followed-up with the three participants after exiting the program on a quarterly basis. According to Streetlights' management, the documentations were maintained by the case managers and not in the participants' case files as required.

Recommendations

Streetlights management:

2. Ensure that staff update the Job Training Automation system to accurately reflect the participants' program activities.

Streetlights Page 3 AUDITOR-CONTROLLER COUNTY OF LOS ANGELES

3. Ensure that core services are provided prior to providing intensive services.

4. Ensure that staff maintain documentation to support the services provided to the participants in the participants' case files as required.

Response:

2.

We requested additional training from CSS to help us with the JTA system. CSS had no one to train us and apparently the State of California would not send someone down to help CSS with training until there were enough people to warrant it. We were told to try and get help from another Agency with a WIA contract and went to Jewish Vocational Services and made entries according to what JVS suggested.

3. and 4.

Core services were provided and there was paper work in the client's file to support the fact that Jewish Vocational Services performed the services. We discussed this with the monitors. They choose to infer in this report that there was no evidence. In fact, there was not evidence enough to satisfy these monitors. The same evidence was provided in past years and was considered sufficient.

CASH/REVENUE

Objective

Determine whether cash receipts and revenues are properly recorded in the Agency's records and deposited timely in their bank account. In addition, determine whether there are adequate controls over cash, petty cash and other liquid assets.

Verification

We interviewed Agency personnel and reviewed financial records. We also reviewed Streetlights' March 2007 bank reconciliation.

Results

Streetlights properly recorded and deposited cash receipts and revenues in a timely manner.

Recommendation

There are no recommendations for this section.

EXPENDITURES/PROCUREMENT

Objective

Determine whether the program related expenditures are allowable under the County contract, properly documented and accurately billed.

Verification

We interviewed Agency personnel, reviewed financial records and reviewed documentation to support 27 non-payroll expenditure transactions billed by the Agency for February and March 2007, totaling \$10,719.

Results

Streetlights billed CSS \$21,896 in unsupported and unallowable program expenditures. Specifically, Streetlights:

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- Did not provide adequate documentation to support the allocations of the facility lease expenditures. Streetlights billed CSS \$14,339 in facility lease expenditures from July 2006 through April 2007.
- Inappropriately billed CSS for 100% of shared expenditures, such as utilities, general liability insurance and supplies even though the other non-WIA programs benefited from these expenditures. The total billed was \$4,770.
- Did not maintain copies of contracts and timecards to support consultant expenditures as required by the County contract. Unsupported expenditures totaled \$2,587.
- Billed CSS \$95 in non-WIA expenditures.
- Billed CSS \$105 for snacks and food provided to participants which are unallowable expenditures.

Similar findings were noted during prior year's monitoring review.

the consultant expenditures. Unexpended consultant expenditures totaled \$1,067.

Recommendations

Streetlights management:

5. Repay DCSS \$20,376 (\$21,896 - \$1,520).

6. Ensure that adequate documentation is maintained to support the program expenditures.

7. Bill CSS for WIA related expenditures only and ensure that the program expenditures are allowable under regulatory guidelines.

RESPONSE:

5. SEE *GENERAL RESPONSE* ABOVE

6. Unlike the monitors are implying, we DID have documentation to support these expenditures. The instance to which they refer is the bookkeeper INVOICE which had every piece of necessary information with the exception of the specific time of day she worked, e.g. Monday 3 hours, instead of Monday 8AM to 11AM.

7. UP UNTIL NOW these expenses (with the exception of one for \$95 which was incorrectly billed to WIA) have been allowed and approved by CSS.

For 12 years we have billed the WIA or JTPA grant for snacks for these poverty level students. When I asked the monitor why they weren't allowing this any longer Ms. [REDACTED] said, "We just had a meeting and discussed this and decided the food was not allowable." It was never brought to our attention. Ms. [REDACTED] also said, "They should be going to food banks." I told her that the lines at the food banks were long and the students were in at school 8:30 AM, 5 days a week. She responded "That's not our problem."

Up until this point snacks have always been allowed by CSS. And for people that are trying exceptionally hard to better themselves for the good of our community, we believe CSS had been correct in the past.

The OMB manual does not disallow snacks.

We think it is unconscionable that these monitors, representing the County of LA, feel it is, "not our problem."

These expenses

INTERNAL CONTROLS

Objective

Determine whether the contractor maintained sufficient internal controls over its business operations. In addition, determine whether the Agency is in compliance with other program and administrative requirements.

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Verification

We interviewed Agency personnel, reviewed their policies and procedures manuals, conducted an on-site visit and tested transactions in various non-cash areas such as expenditures, payroll and personnel.

Results

Streetlights did not always comply with WIA and County contract requirements. Specifically:

- * Streetlights violated the conflict of interest policy by paying a Board member for consultant services.
- * Streetlights' agreements with four of the five subcontractors did not fully explain the work to be completed, hours of operations or maximum amount paid to the subcontractors as required by the County contract. In addition, Streetlights did not establish an agreement with one of the five subcontractor.
- * Streetlights did not perform a cost analysis prior to contracting for various administrative and programmatic services, or perform a fair market analysis for the facility leased in FY 2006-07. Similar findings were also noted during the prior year's monitoring review.
- * Streetlights did not obtain a building inspection.

In addition, Streetlights' program procedural manual did not include procedures on how to verify and document individuals' eligibility. As previously indicated, Streetlights did not maintain adequate documentation to support the participants' eligibility to receive program services.

Subsequent to our review, Streetlights provided copies of updated agreements with each of the Agency's five subcontractors.

Recommendations

Streetlights management:

- 8. Ensure that the Agency does not violate the conflict of interest policy.**

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9. Ensure that the Agency's agreements with the subcontractors include all applicable provisions and requirements as required by the County Contract.

10. Ensure that agency conducts a competitive price analysis for all procurement transactions.

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11. Obtain a building permit.

12. Revise the Agency's program procedural manual to include procedures on how to verify and document individuals' eligibility.

Response:

8.

This issue was brought up last year. This person is not a voting member of the board, as we said last year. We did not hear anything further to specify that this person would not be able to teach a class and any or all charges disallowed.

9.

We had all these contracts in the files and would suggest that if the monitors are not given all the documents they request during the monitoring session, that they bring it up at that time. We had these files sitting on a file cabinet, and merely forgot to give it to them. Both this year and last year, during the monitoring, they do not say, "We're missing these documents that we just asked you for."

What their policy is, is to wait until the exit conference at the end of the two day audit and then tell you what they have written down as the "Agency not being in compliance". They then come out to the Agency and give you a second opportunity to present your documents. If during the audit- they were to say, "...where is it?" it would save everyone time and money— including the County.

I DO HAVE TO DISCLOSE HOWEVER THAT WE DID NOT ALLOW THE TWO MONITORS TO COMPLETE THEIR EXIT CONFERENCE THIS YEAR. THEY (PARTICULARLY MS. [REDACTED]) HAVE BEEN SO RUDE, IMPOLITE AND PATRONIZING BOTH THIS YEAR AND LAST, AND SO DISTURBED OUR STAFF, THAT I ASKED THEM TO LEAVE.

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STREETLIGHTS HAS HAD GRANTS WITH THE COUNTY OF LOS ANGELES FOR 12 YEARS AND HAS NEVER SEEN BEHAVIOR BY ANY INDEPENDENT OR CSS CONTRACTED MONITOR AS WE HAVE THE LAST TWO YEARS.

FOR US, THESE MONITORS HAVE COME WITH THE ATTITUDE THAT ALL CONTRACTERS ARE CROOKS AND DISHONEST. THEY MAKE SURE AT THE VERY START THAT THE MONITORING IS AN ADVERSARIAL PROCESS.

IN THE CASE OF STREETLIGHTS AND MOST LIKELY MANY OF THE OTHER SPECIAL NEEDS CONTRACTERS, WE ARE JUST TRYING TO BE OF SERVICE TO THE COMMUNITY WE SERVE (HOMELESS, FORMER FOSTER YOUTH, EX-GANGMEMBERS, ETC.) AND ASK THE COUNTY TO HELP US DO IT. MISTAKES ARE MISTAKES AND NOT EVIDENCE OF ILLEGAL BEHAVIOR AND WE SHOULD NOT BE SUBJECT TO AUDITORS/MONITORS TREATING US AS THOUGH WE ARE CRIMINALS.

THERE ARE CRIMINALS APLENTY IN NON-PROFIT AND GOVERNMENTAL AGENCIES. I WOULD HOPE THE COUNTY WOULD HIRE PEOPLE THAT WERE DISCERNING ENOUGH TO TELL THE DIFFERENCE.

10.

We get 3 catalogs per month from Costco, Staplea and Office Depot and felt that this was current, competitive information.

Re: our office supplies under \$50: the monitors said we should have taken 10 items per month and called around to places to get bids for those supplies. We are a small agency and that would perhaps get us a few supplies cheaper, but would cost much more in the time/salary of the person performing this monthly task.

FIXED ASSETS AND EQUIPMENT

Objective

Determine whether Streetlights' fixed assets and equipment purchases made with WIA funds are used for the WIA program and are adequately safeguarded.

Verification

We interviewed Agency personnel and reviewed the Agency's equipment and inventory listing. In addition, we performed an inventory and reviewed the usage of twelve items purchased with WIA funds, totaling \$11,489.

Results

Streetlights needs to improve their controls over fixed assets and equipment. Specifically:

- * Streetlights assigned two (17%) of the 12 items sampled to non-WIA employees, totaling \$2,017.

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- Streetlights' equipment and inventory listing did not accurately reflect the locations of two (17%) of the 12 items sampled or include all the required information, such as funding source, description, purchase order number and date of disposition, as required by the County contract.

Similar findings were also noted during the prior year's monitoring review.

Recommendations

Streetlights management:

13. Repay CSS \$2,017.

14. Ensures that inventory is used for the WIA program.

15. Ensure that the equipment and inventory listing is accurately updated with the required information.

13. and 14.

As in all past years, CSS has been aware that we have staff, teachers, equipment and supplies that are allotted to our WIA participants that are not on the WIA payroll or paid for by WIA. Our private funding pays for many things so that the grant does not have to. The WIA clients benefit from funding that is non-WIA. In some cases, a person that is not on the WIA payroll but is working with and on behalf of the WIA students, may utilize a computer that is paid for by the grant.

15.

We had accidentally given the monitors a property inventory list that was a comprehensive list that we keep for internal use. This list had inventory that was from 1995 to 2007.

THE MONITOR DEMANDED THAT WE SHOW THEM EITHER THE COMPUTERS THAT WERE ON THE LIST (FROM '95, '96, '99, ETC.) OR THE LETTER THAT APPROVED THE DISPOSAL.

WE INFORMED THEM THAT WE NO LONGER HAD THIS EQUIPMENT AND WERE NOT EXPECTED TO SINCE IT WAS SO OLD, AND THAT THE DISPOSAL LETTERS WERE NO LONGER REQUIRED EITHER. WE ALSO INFORMED THEM THAT THE PERSON FROM CSS THAT WROTE THE APPROVAL LETTERS HAD BEEN DEAD FOR MANY YEARS!

MS. [REDACTED] INSISTED THAT "IF YOU HAVE THEM ON THE LIST, WE HAVE A RIGHT TO SEE THEM." WE TOLD THEM THAT WE WOULD SHOW THEM ANY EQUIPMENT OR DOCUMENTS THAT WERE SEVEN YEARS OLD OR NEWER, BUT COULD NOT SHOW THEM THE OLDER ITEMS.

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PAYROLL AND PERSONNEL

Objective

Determine whether payroll is appropriately charged to the WIA program. In addition, determine whether personnel files are maintained as required.

Verification

We traced the payroll expenditures invoiced for two employees totaling \$3,941 for February and March 2007 to the Agency's payroll records and time reports. We also interviewed the two employees and reviewed the personnel files for two staff assigned to the WIA program.

Results

Streetlights did not maintain adequate documentations to support the payroll expenditures for February and March 2007, totaling \$3,941. For example, the employees' timecards were not signed by the employees and/or supervisors as required and the hours reported on the timecards did not always support the payroll expenditures billed to CSS. Streetlights also billed CSS for one non-WIA employee.

Streetlights did not conduct an annual performance evaluation for one (50%) of the two employees sampled. In addition, Streetlights did not maintain proof of automobile insurance in the employees' personnel files for the two (100%) employees sampled.

Subsequent to our review, Streetlights provided additional documentation to support the payroll expenditures.

Recommendations

Streetlights management:

Refer to Recommendation 6.

16. Conduct annual performance evaluations of all employees assigned to the WIA program.

17. Maintain required documentations in the employees' personnel files.

16.

This is correct

17.

It is completely incorrect that timecards were not signed and approved. They are collected before pay period then initialed with my initials and the word "okay" put in the box named approved. It is correct that one employee allocated his hours in the wrong column.

Re: Employee paperwork in personnel files: one of these employees does not drive! Had the monitors brought this to my attention I would have saved them the trouble of writing it up in this report and I wouldn't have

had to take the time to respond. The monitors correctly identified that we did not have insurance documentation on the other.

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COST ALLOCATION PLAN

Objective

Determine whether Streetlights' Cost Allocation Plan was prepared in compliance with the County contract and the Agency used the plan to appropriately allocate shared program expenditures.

SIGNED Dorothy Thompson DATE 5-13-08